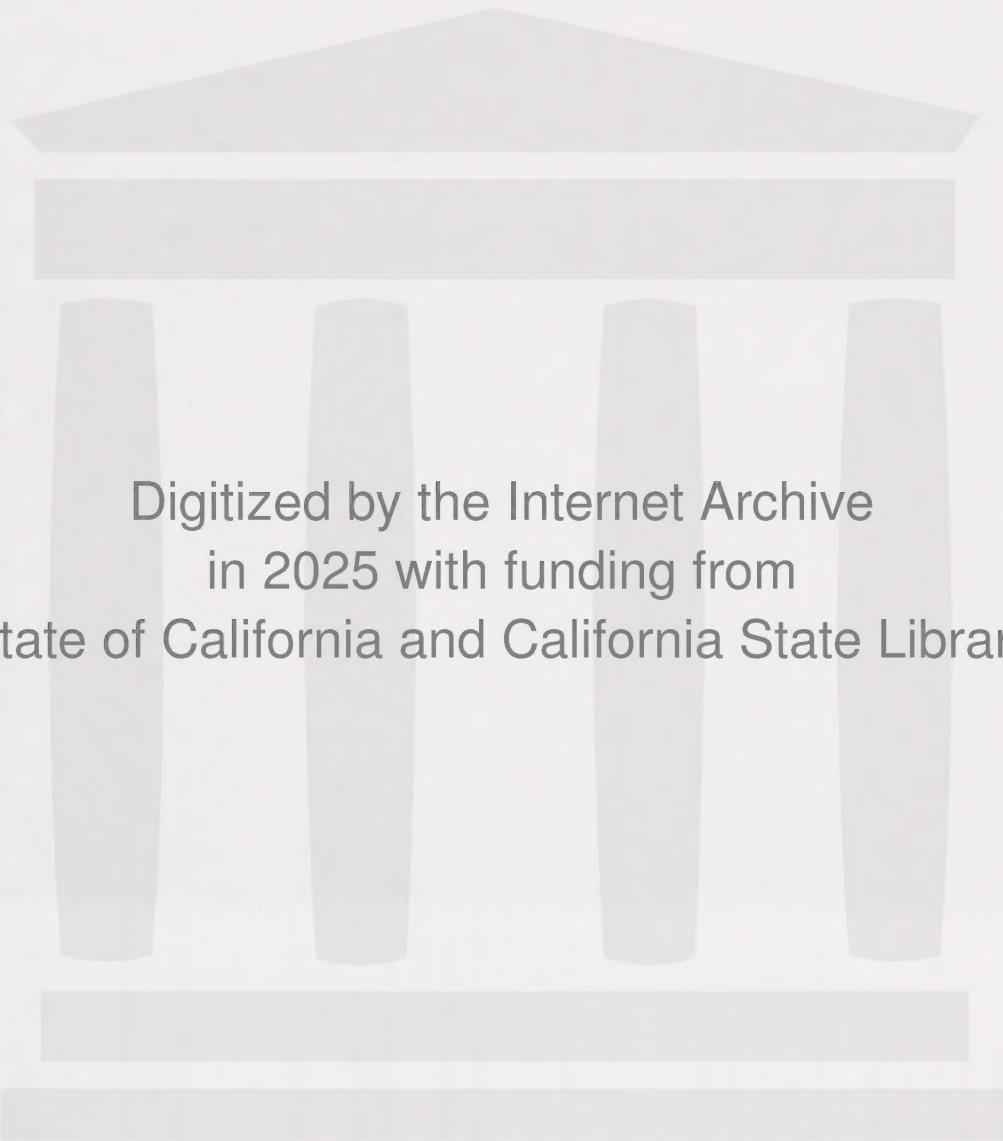


OAKLAND ENHANCED ENTERPRISE COMMUNITY FLAGSHIP PROJECT  
HUD SECTION 108 UNDERWRITING AND RISK MANAGEMENT GUIDELINES<sup>1</sup>  
DRAFT FOR DISCUSSION PURPOSES ONLY

SEP 11 1996

Criteria	Low Risk	Medium Risk	High Risk
Overall City of Oakland Loan Pool Risk Allocation <sup>2</sup>	70%	20%	10%
EEC HUD 108 Loan Risk Allocation <sup>2</sup>	50%	30%	20%
Public Benefit and Policy Objectives			
Jobs			
New	<ul style="list-style-type: none"> <li>At least 51% of new jobs filled by low- and moderate-income EEC residents.</li> </ul>	<ul style="list-style-type: none"> <li>More than 51% of new jobs filled by low- and moderate-income EEC residents.</li> </ul>	<ul style="list-style-type: none"> <li>More than 75% of new jobs filled by low- and moderate-income EEC residents.</li> </ul>
Retained	<ul style="list-style-type: none"> <li>Loan will ensure retention of significant number of jobs.</li> </ul>	<ul style="list-style-type: none"> <li>Loan will ensure retention of significant number of jobs.</li> </ul>	<ul style="list-style-type: none"> <li>Loan will ensure retention of significant number of jobs.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>New and retained jobs provide good wages and benefits, and marketable skills.</li> </ul>	<ul style="list-style-type: none"> <li>New and retained jobs provide good wages and benefits, and marketable skills.</li> </ul>	<ul style="list-style-type: none"> <li>New and retained jobs provide good wages and benefits, and marketable skills.</li> </ul>
Physical Revitalization <sup>3</sup>	<ul style="list-style-type: none"> <li>Project will create positive neighborhood impact.</li> </ul>	<ul style="list-style-type: none"> <li>Project will contribute to improving quality of life in EEC.</li> </ul>	<ul style="list-style-type: none"> <li>Project will significantly change existing trend in EEC.</li> </ul>
Neighborhood Serving <sup>3</sup>	<ul style="list-style-type: none"> <li>NA</li> </ul>	<ul style="list-style-type: none"> <li>Provides additional products or services currently undersupplied.</li> </ul>	<ul style="list-style-type: none"> <li>Provides products or services not currently available in neighborhood.</li> </ul>
Industry	<ul style="list-style-type: none"> <li>Eligible industry.</li> </ul>	<ul style="list-style-type: none"> <li>Key industry in Oakland's economic base.</li> </ul>	<ul style="list-style-type: none"> <li>High-risk target industry.</li> </ul>
Local Ownership <sup>3</sup>	<ul style="list-style-type: none"> <li>Preferred, however not required.</li> </ul>	<ul style="list-style-type: none"> <li>At least 51% owned by local, minority or women entrepreneurs.</li> </ul>	<ul style="list-style-type: none"> <li>At least 51% LBE, MBE, WBE or Community-Based Development organization.</li> </ul>
Economic Objectives			
Jobs (job/\$) <sup>4</sup>	1/\$35,000	1/\$35,000	1/\$35,000 - \$50,000
Net Fiscal Impact <sup>5</sup>	High	Medium	Low
Leverage of Private Funds	At least 50% of project cost.	25-50% of project cost.	10%-25% of project cost.
Minimum Borrower Equity	25%	10%	5%
Financial Standards			
Loan to Collateral Value Ratio	<80%	80%-90%	90%-95%
Debt Coverage Ratio	>1.25	1.10-1.25	1.00-1.15
Prior Business Experience	Substantial: 5 years minimum	Moderate: 3 years minimum	Limited: No minimum
Leasing Commitments	>70%	40%-70%	<40%
Project Financing (other sources)	Committed	Committed	May accept letters of commitment contingent upon public financing
Project Costs	Reasonable, based on industry standards.	Reasonable, based on industry standards	Reasonable, based on industry standards
Financial Ratio Analysis	Favorable	Satisfactory	Below conventional standards



Digitized by the Internet Archive  
in 2025 with funding from  
State of California and California State Library

<https://archive.org/details/C124921759>



Criteria	Low Risk	Medium Risk	High Risk
Loan Parameters			
Maximum Loan Amount	\$4,000,000	\$3,000,000	\$2,000,000
Interest Rate	T-Bond + 1%	T-Bond + 1.25%	T-Bond + 1.5%
Maximum Loan Amortization	30 years	30 years	30 years
Maximum Loan Term	20 years	18 years	15 years
Participation "Kicker" (Real Estate Development Projects only) <sup>5</sup>	Maybe	Maybe	Required
Personal Guarantee	Required	Required	Required
Collateral	Real estate; new equipment	Real estate; new equipment	Real estate; new and used equipment; receivables; inventory, vehicles
Subordination	Not less than second position	Not less than second position	May be less than second position

<sup>1</sup>This risk management matrix is provided as an overall guideline for applicants and underwriters in evaluating loan applications. At the discretion of the Oakland City Council and/or recommendation of staff, additional public benefit provisions could warrant special considerations or flexibility in the loan parameters.

<sup>2</sup>Risk allocation based on dollar volume of loans.

<sup>3</sup>At least two of these items should be met.

<sup>4</sup>The aggregate loan portfolio cannot exceed \$35,000 of loan funds per job created. However, any one business can borrow up to \$50,000 per job created.

<sup>5</sup>Consider participation if sale of asset or refinancing occurs prior to loan term for all risk classes.

U.C. BERKELEY LIBRARIES



C124921759